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Improvements Needed in Regulating Household Goods Carriers.
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Report to A. Daniel O'Neal, Chairman, Interstate Commerce Commission; by Baltas E. Birkle (for Henry Eschwege, Director, Community and Economic Development Div.).

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Aspects of the Interstate Commerce Commission's (ICC's) regulation of household goods carriers that need improvement relate to publications issued to inform shippers, compliance efforts, and carrier performance. Findings/Conclusions: Information published by the ICC to inform and educate the shipper about household moves is lengthy, detailed, and sometimes confusing. The usefulness of performance reports is questionable, and they have not been audited for accuracy. Improvements are needed in the compliance program to see that the ICC's regulatory mission is effectively implemented, particularly in determining which carriers to survey, survey procedures, and developing consistent compliance and performance standards. Recommendations: With assistance from consumer and industry representatives, the ICC should improve the usefulness, clarity, and value of ICC publications, including carrier performance reports, furnished to prospective shippers of household goods. Carrier performance reports should be verified for accuracy. Also with assistance from consumer and industry representatives, the ICC should develop standards for acceptable levels of compliance and performance. (Author/DJM)

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*UNITED STATES
GENERAL ACCOUNTING OFFICE*

Improvements Needed In Regulating Household Goods Carriers

Interstate Commerce Commission

To improve service to the household goods shipper and reduce the number of shipper complaints, the Interstate Commerce Commission has taken various actions.

These changes will help, but further improvements should be made by

- improving the usefulness, clarity, and value of Commission publications and the reports on carrier performance;
- improving further the compliance program, set up to see that regulations are effectively and fairly carried out; and
- developing compliance and performance standards.



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

COMMUNITY AND ECONOMIC
DEVELOPMENT DIVISION

B-187797

The Honorable A. Daniel O'Neal
Chairman, Interstate Commerce Commission

Dear Mr. O'Neal:

We surveyed various aspects of the Interstate Commerce Commission's (ICC's) regulation of household goods carriers to identify areas needing improvements.

We conducted our survey at ICC headquarters in Washington, D.C.; ICC field offices in Columbus, Ohio; Indianapolis, Indiana; and Los Angeles, California. We reviewed (1) ICC records on shipper complaints as well as ICC compliance and enforcement actions, (2) applicable ICC policy, procedures, laws, and regulations, and (3) studies published by ICC and others. We also interviewed ICC and industry officials.

We discussed this report with the Director, Bureau of Operations, and other responsible ICC officials and considered their informal comments in finalizing the report.

Our observations cover

- publications issued to inform shippers,
- compliance efforts, and
- carrier performance.

ICC's GOAL IN REGULATING
HOUSEHOLD GOODS CARRIERS

ICC's goal in regulating the activities and services of interstate moving companies is to protect the inexperienced shipper from unfair and improper carrier practices without unduly impairing the carrier's ability to provide adequate, economical, and efficient service.

To insure the shipper adequate service, ICC has

- reexamined and changed frequently its regulations governing household goods movements,
- published several public advisories to help inform and educate the public about household moves,
- established a transportation consumer specialist program, and
- requested legislative authority to adjudicate loss and damage claims.

In addition, ICC has instituted individual proceedings dealing with household goods issues, filed criminal charges against carriers, revoked one operating authority, issued administrative rulings on significant matters, and restructured the compliance program.

According to ICC, some of the most important and far-reaching regulations governing household goods shipments occurred in 1970 with a general revision of its regulations and in 1974 when additional consumer protection regulations were adopted. ICC's basis for changing its regulations has primarily been shipper complaints.

ICC stated in a 1970 decision that, although shipper complaints arise from only a small percentage of the shipments handled, ICC should be more concerned with these complaints because of the nature of the typical shipper. According to ICC, the shipper moves his personal possessions from one place to another only a few times in his life. The relocation of one's family is emotionally charged, and inconveniences caused by changed pickup or delivery dates or damaged belongings constitute major problems.

PUBLICATIONS ISSUED TO INFORM
SHIPPERS SHOULD BE IMPROVED

Three publications inform the prospective shipper about (1) what to expect during a move, (2) shipper rights, and (3) moving companies' past performance. They are:

- "Summary of Information for Shippers of Household Goods,"
- "Lost or Damaged Household Goods, Prevention and Recovery," and
- "Household Goods Carrier Performance Report."

In 1970, as part of a regulatory change, ICC required carriers to give each prospective shipper a copy of the shipper information booklet, which provides information on all aspects of the move and includes a questionnaire to monitor shipper satisfaction. Another regulation change in 1974 required carriers to also give each shipper a copy of the other two publications.

Each carrier prepares a performance report providing information on such areas as timeliness of pickups and deliveries, accuracy of estimates, and promptness in settling claims. Beginning in February 1975, it was made available to all prospective shippers in ample time to allow them to determine which mover would likely do the best job.

Conflicting and confusing information in ICC publications

Consumer interests groups and carriers we contacted said that the information given to shippers is lengthy, detailed, and sometimes confusing. They especially complained that the explanations of release rate 1/ and added value protection 2/ of a shipment are confusing and misleading. After reading the shipper information booklet and the public advisory on lost or damaged household goods, we agreed. For example, the booklet suggests on page 21 that a shipper may be paid full value for

1/Release rate: The carrier's liability is limited to a maximum of 60 cents per pound per article.

2/Added value protection: The carrier is liable for an amount equal to \$1.25 times the weight of the shipment or any greater lump sum declared by the shipper. The shipper is charged 50 cents per \$100 of valuation for this additional protection.

lost or damaged articles. The public advisory states on page 1 that the maximum liability of the mover is the actual value of any lost or damaged items. Although actual value is clarified in the next sentence as the depreciated value, actual value and full value are still misleading and confusing. Carriers use depreciation schedules in settling claims for losses or damages that may not correspond to actual or full value as perceived by the shipper.

Usefulness of performance reports is questionable

The benefit of performance reports was questioned, especially by consumer groups, because a shipper must obtain a copy of each carrier's report before he could compare performance and determine the most suitable carrier. Most carriers we contacted also questioned their usefulness, saying that they believed shippers did not use the report to select a carrier primarily because they did not understand them. One consumer group suggested that ICC print the moving companies' performance on a comparative chart and require movers to distribute the chart with the shipper information booklet. Accordingly, we suggested to ICC that it consider preparing such a summary. In April 1977 ICC published a report showing the 20 largest moving companies' performance and sent copies to prospective shippers upon request. Based on the large number of requests, ICC believes this type of report is highly useful to the shipper.

However, ICC has not actually studied the usefulness of the performance reports nor have they been audited for accuracy even though ICC found instances of inaccurate reports. For example, one large moving company requested ICC authority to operate in the 48 continental States. ICC rejected the carrier's request because of its failure to conform to ICC rules and regulations. About the time of ICC's rejection, the carrier filed with ICC a "superior" performance report. ICC reviewed the report and found it inaccurate. One category of late pickups listed at zero was actually about 5 percent, and damages over \$50 increased from about 9 to 20 percent. ICC ordered the carrier to refile an accurate performance report but took no further action.

ICC officials told us they hope to further evaluate the usefulness of the reports by modifying the questionnaire in the shipper information booklet. However, they said this will require a rulemaking proceeding.

IMPROVEMENT NEEDED IN COMPLIANCE PROGRAM

ICC's compliance program is designed to see that its regulatory mission is effectively and fairly carried out. One ICC Commissioner said that the program accomplishes the purpose of regulation by maintaining an orderly transportation system and preventing unfairness to shippers and consumers.

Primary methods of determining compliance with rules and regulations are compliance surveys and investigations conducted at carrier facilities. A compliance survey is an overall review of operational practices and compliance with ICC regulations. An investigation is a planned, thorough search for facts in anticipation of an enforcement action.

In recent years, several ICC studies criticized the compliance program for lacking direction or emphasis. In October 1976 ICC issued a new policy directive aimed at (1) discouraging carrier law violations and thereby reducing the number of shipper complaints and (2) increasing activity in areas of high economic or national importance. ICC also listed eight areas it believed to be most important and where attention would be focused. One area was:

- "1) Violations of law relating to inadequate motor or rail service, together with consumer complaints, including those involving the transportation of household goods."

To implement this new directive, ICC restructured the compliance program, designating the Bureau of Operations responsible for all compliance surveys and the Bureau of Investigations and Enforcement responsible for investigations and related enforcement actions. However, it is too early to evaluate the effectiveness of these changes.

Determining which carriers to survey

ICC personnel told us that limited staff and the large number of regulated moving companies prevent regularly scheduled compliance surveys. ICC guidance to field personnel does not specify how often small carriers should be surveyed

but allows the Regional Operations Director to select them. However, recently issued instructions require large carriers to be surveyed at least every 5 years. Compliance surveys are primarily initiated by the number and nature of complaints.

Compliance survey procedures

Before April 1977, ICC personnel lacked specific surveying guidelines but were expected to be sufficiently knowledgeable of the regulations to discover any violations. Each investigator used his own judgment to determine areas to survey and serious violations. The investigator recorded violations and their frequency on a Compliance Report. After the survey, a decision was made on whether a more detailed investigation was warranted.

In April 1977, ICC issued revised instructions for field staff conducting surveys. They gave guidance on areas to be surveyed but emphasized that staff initiative, knowledge, and perseverance were essential to an effective survey. ICC also developed a new sampling technique that allows inspection of fewer shipping documents and reduces the time and effort needed in determining the carrier's level of compliance with ICC regulations.

Consistent compliance standards are needed

ICC officials said that they expect moving companies to achieve 100-percent compliance with all ICC regulations. We found, however, that ICC enforcement actions have not resulted in all companies complying 100 percent with all regulations.

ICC recognized instances when 100-percent compliance may be unreasonable. In December 1974, ICC reached an agreement with a major moving company to settle a court case it had brought against the company because of alleged noncompliance with certain ICC rules. In this case, ICC agreed that the company would be in full compliance if 90-percent or better compliance was achieved.

In another instance, ICC initiated revocation of operating authority proceedings against a large moving company, charging it with violating certain Interstate Commerce Act provisions and ICC household goods regulations. The company admitted that it was not in 100-percent compliance with ICC regulations but argued that it was achieving substantial compliance and was working effectively to raise that level. The company presented

testimony of several independent witnesses to demonstrate that 100-percent compliance was humanly and physically impossible.

After considering all the arguments, ICC in March 1975, found there was no available standard by which to measure the company's compliance with the household goods regulations. Consequently, ICC accepted the company's settlement offer, which proposed a study to determine the degree to which a moving company could comply with ICC regulations and how that degree might be achieved. The Illinois Institute of Technology performed the study, and the final report was given to ICC in July 1977. This report may provide the basis for a reasonable compliance standard that will apply to all carriers. ICC is analyzing the two-volume report to determine what actions should be taken.

Performance standards are needed

As stated on page 3, a moving company is required to prepare a report of its performance in certain areas and file it with ICC. Each company must also give each prospective shipper a copy of this report before the move. Although ICC believes the companies' performance could improve, it lacks a standard for acceptable or unacceptable performance.

In April 1976 the Department of Defense implemented a Carrier Evaluation and Reporting System that collects performance data and compares it to a set of established performance standards. Under this system, a perfect shipment is worth 100 possible points based on pickup and delivery, absence of loss or damage, customer satisfaction, and shipment handling and administrative procedures. The system is used to award the most business to the carriers with the best performance at the lowest cost. We were told that most moving companies favor the new emphasis on performance but disagree with associating performance with lowest cost.

This system may not be applicable to ICC, but it does demonstrate that performance standards can be useful.

CONCLUSIONS

To improve service to the shipper and reduce the number of shipper complaints, ICC has (1) reexamined and changed its regulations, (2) published shipper advisories, (3) established a transportation consumer specialist program, (4) requested authority to adjudicate loss and damage claims, (5) taken various enforcement actions, and (6) restructured the compliance

program. While we believe these changes should have improved service, further improvement is needed.

ICC's shipper information booklet and advisory provide various information on aspects of a move. When read together they may confuse or mislead the shipper because they do not employ commonly used terms. To be of maximum use, the information in these publications should be clarified.

To be useful to the shipper, the carrier performance reports must be accurate. ICC found instances of inaccurate reports and should attempt to verify the reports whenever possible. In addition, we believe the value of these reports is questionable unless shippers have the reports of two or more carriers to enable them to compare and determine which carrier best meets their needs.

An important aspect of any regulatory program is monitoring and enforcing compliance with regulations. We believe that compliance surveys should be directed at the carriers that are most in need of a survey based on their performance and compliance with regulations.

ICC currently uses the number and nature of complaints as a major basis for determining carriers to survey. Complaints certainly are one method of determining carrier performance. However, we do not believe this method is fully effective because (1) increased consumer awareness may cause the number of complaints to increase and (2) the consumer, unaware of all service requirements, may not file a complaint.

In our view, establishing acceptable levels or standards for compliance would provide a consistent measure for all carriers. Performance standards would clearly indicate acceptable or unacceptable performance and provide another indication of the need for a compliance action. Such standards would not only directly assist ICC and the shippers, but carriers could also use these standards to identify problem areas and take actions before the problem worsens. Establishing these standards should combine the efforts of ICC, the household goods moving industry, and consumer groups to make sure that they are realistic and attainable. They should be periodically reviewed and revised, when necessary.

RECOMMENDATIONS

We recommend that ICC:

--With assistance from consumer and industry representatives, improve the usefulness, clarity, and value of

ICC publications, including carrier performance reports, furnished to prospective shippers of household goods.

- Include in compliance surveys a verification of the accuracy of carrier performance reports.
- With assistance from consumer and industry representatives, develop standards for acceptable levels of compliance and performance.

ICC officials agreed that the shipper information booklet should be revised. However, they said, some ICC rulings on household goods, which are discussed in the booklet, are the subject of court appeals. They said changes will be made only after final court rulings.

They agreed that performance reports should be validated, as a few were in the past. However, they believed additional resources would be required to do more.

The officials also agreed that compliance and performance standards were needed. They believed that some changes brought about through the new compliance survey procedures will provide a mechanism for developing these standards. A system, which computerizes compliance survey results, is being developed to use as the basis for determining carrier performance and compliance with ICC regulations.

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We appreciate the cooperation our staff received during this survey and would like to be informed of any actions taken on our recommendations. We would be glad to discuss this report with you or your staff.

We are sending copies of this report to the Director, Office of Management and Budget, and to the appropriate congressional committees.

As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and to the Senate Committee on Governmental Affairs no later than 60

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days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

Sincerely yours,



for

Henry Eschwege
Director